

Message Text

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PAGE 01 STATE 087531

71

ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 AGR-20 SP-03 AID-20 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 EA-11 FRB-02 INR-10 IO-14 NEA-10

NSAE-00 OPIC-12 LAB-06 SIL-01 SWF-02 FEA-02 AF-10

ARA-16 SSO-00 INRE-00 NSCE-00 /217 R

DRAFTED BY PPC/IA:PSIMON/EB/GCP:DMORRISON

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PPC/PDA - RMUSCAT (DRAFT)

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EB/IFD:SWEINYRAUB(DRAFT)

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O 292308Z APR 74

FM SECSTATE WASHDC

TO USMISSION OECD PARIS IMMEDIATE

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E.O. 11652: N/A

TAGS: ECON; OECD

SUBJECT: OECD MINISTERIAL: POLICIES FOR COOPERATION WITH
DEVELOPING COUNTRIES

FOLLOWING IS PRELIMINARY USG REACTION TO SUBJECT
DOCUMENT. MORE COMPLETE RESPONSE BEING PREPARED FOR SAME
ITEM ON AGENDA DAC MEETING MAY 9-10.

1. WE HAVE SOME RESERVATIONS RE DRAFT PAPER CONTENTION

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PAGE 02 STATE 087531

THAT CAPACITY INDUSTRIALIZED COUNTRIES PROVIDE ODA NOT

DIMINISHED AND IN SOME CASES STRENGTHENED. THIS CONTENTION BASED ON PROJECTED LARGE FINANCIAL TRANSFERS FROM OIL PRODUCERS BACK TO OECD MEMBERS AND OECD AREA AS A WHOLE. WHILE THIS IS LIKELY, MAJOR NEW PROBLEMS OF FINANCIAL INTERMEDIATION ARE NOW POSED TO THE FINANCIAL SYSTEM. FAILURE TO SOLVE THESE PROBLEMS COULD CREATE SERIOUS INSTABILITIES WHICH IN TURN COULD IMPACT ON AID PERFORMANCE. AGREE (PARA. 2 OF BASIC CONSIDERATIONS) THAT PROBLEMS, AT LEAST IN THE SHORT TERM, ARE MANAGEABLE GIVEN SUFFICIENT INTERNATIONAL COOPERATION, AND THAT SUCH COOPERATION SHOULD ENABLE MEMBERS SUSTAIN IF NOT INCREASE THEIR DEVELOPMENT ASSISTANCE.

2. RE GEOGRAPHIC REDISTRIBUTION OF ODA TO MEETING REQUIREMENTS MOST SERIOUSLY AFFECTED, WE AGREE IN PRINCIPLE THAT

OECD MEMBERS SHOULD MAKE BEST EFFORTS TO THIS PURPOSE ESPECIALLY REGARDING EMERGENCY AID, AND SELECTED NEW COMMITMENTS. FYI. GIVEN LONG LEAD TIME IN U.S. AID PROGRAMMING PROCESS AND NEED FOR CONGRESSIONAL APPROVAL, WE SEE ONLY LIMITED PROSPECTS OF SUCCESS IN SHORT RUN FOR SUBSTANTIALLY REDIRECTING U.S. FLOWS TO COUNTRIES WITH SHORTFALLS DIRECTLY RELATED TO INCREASED OIL BILLS. END FYI.

3. U.S. IS NOT YET IN POSITION TO COMMENT ON SECRETARIAT SUGGESTION FOR INFORMAL CONSULTATION ON AID POLICIES BETWEEN DAC AND OIL PRODUCING COUNTRIES.

4. RE SUGGESTIONS ON TRADE POLICIES, WE AGREE THAT MINISTERS SHOULD REAFFIRM COMMITMENT TO TAKE SPECIAL ACCOUNT OF INTERESTS OF DEVELOPING COUNTRIES IN MTN. ALSO, THAT EMPHASIS CONTINUE TO BE GIVEN TO IMPLEMENTATION AND IMPROVEMENT OF GSP PROGRAMS AS MEANS OF PROMOTING INCREASED LDC PARTICIPATION IN INTERNATIONAL TRADE. MINISTERS SHOULD ALSO STRESS IMPORTANCE OF OBSERVING STANDSTILL ON ESTABLISHMENT OF ANY NEW NTB'S. IN ASSESSING MEASURES NEEDED TO RESOLVE CURRENT LDC PROBLEMS ARISING FROM PRICE INCREASES OF OIL AND OTHER COMMODITIES, MINISTERS SHOULD MAKE CLEAR THAT TRADE POLICY WILL HAVE LIMITED OFFICIAL USE

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PAGE 03 STATE 087531

LITTLE IMMEDIATE POSITIVE IMPACT ON LDC BOP PROBLEMS BECAUSE OF TIME REQUIRED FOR DEVELOPING BOTH MARKETS AND PRODUCTIVE CAPACITY TO TAKE ADVANTAGE OF TEMPORARY GSP MEASURES AND EXPECTED MTN TARIFF REDUCTIONS. NOR IS THERE ANY ASSURANCE THAT COUNTRIES MOST AFFECTED BY COMMODITY PRICES WILL BE IN A GOOD POSITION TO TAKE ADVANTAGE OF OPPORTUNITIES ARISING FROM LIBERALIZED TRADE.

5. WE AGREE WITH RECOMMENDATIONS RE FERTILIZER . BUT
BELIEVE EXPORT CONTROL LANGUAGE MUST HAVE ESCAPE CLAUSE.
FOR EXAMPLE, SUBSTITUTE "AVOID TOEXTENT POSSIBLE" FOR
"ABSTAIN FROM". ALTHOUGH U.S.AS AD DIFFICULTIES
MEETING COMMITMENTS FOR FERTILIZER SHIPMENTS UNDER AID
PROGRAMS DUE UNAVAILABILITY SUPPLY, AID HAS NOW APPROVED
POLICY FINANCE OVER 700,000 PRODUCT TONS FERTILIZER
FISCAL 75, AND WOULD HOPE OTHER DONORS PREPARED MAKE
COMMITMENT OUT OF THEIR SUPPLIES AND AID PROGRAM
FINANCING.

6. AGREE WITH RECOMMENDATION RE FLOW OF PRIVATE CAPITAL
LDC'S. RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, ECONOMIC ASSISTANCE, POLICIES, MINISTERIAL MEETINGS, FOREIGN POLICY POSITION, BANK LOANS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE087531
Document Source: CORE
Document Unique ID: 00
Drafter: PSIMON/EB/GCP:DMORRISON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740113-0176
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974045/aaaaaduq.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2002 by boyleja>; APPROVED <26 MAR 2003 by BoyleJA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD MINISTERIAL: POLICIES FOR COOPERATION WITH DEVELOPING COUNTRIES
TAGS: ECON, OECD
To: OECD PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005